

UNIT 4:

\$ MANAGING MONEY \$

BANKING AND BUDGETING



Managing Money Lessons and Exercises

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Managing Money Part 1 - Banking

Financial Institutions

There are many different types of financial institutions. They provide a variety of services for people and businesses.

Financial institution	Features and services
banks	<ul style="list-style-type: none">• government licensed• services include<ul style="list-style-type: none">— chequing and savings accounts— ATM (automated teller machine) services and online banking— currency exchange— bill payments— safety deposit boxes— investments such as RRSPs, GICs, and term deposits— loans, mortgages, and lines of credit
credit unions	<ul style="list-style-type: none">• cooperative: account holders are members who have a say in the institution's financial policies (owned and governed by its members)• similar to banks in function and services offered• many offer a combined chequing/savings account• Credit unions offer the same services as banks and often have lower fees.
loan companies	<ul style="list-style-type: none">• provide loans and mortgages• may offer better interest rates than banks or credit unions
investment companies	<ul style="list-style-type: none">• financial planning services• wealth management: services such as choosing investments, planning for taxes, estate planning• other financial services: RRSPs, GICs, savings accounts
trust companies	<ul style="list-style-type: none">• manage and invest assets for an individual, a company, an estate, or a trust• keep records, pay bills, pay out inheritances, and distribute assets

Practice

1. Circle the services provided by a credit union.

loans bank drafts estate management
online banking health insurance RRSPs

2. Kate is starting a bookstore in Quesnel. She needs a small loan to help with start-up costs. Why might she borrow money from a loan company? What advice could you give her?



3. Austin is an automotive parts person in Fort Smith. He wants to start an RRSP but does not know much about them. Which type of financial institution could Austin ask for information?

4. What financial institutions might you consider for each?

a) day-to-day money transactions

b) obtaining a mortgage

c) investments

d) wealth management

Hint

A mortgage is a loan for a house, condominium, or other property such as a piece of land or a cabin.

5. List any financial institutions that you know in the area. What type of financial institutions are they?

Banks

CU

Loan, Trust, Investment Companies

Types of Bank, Credit Union, and Financial Accounts

You need to know how you plan to use the account, before you decide which one to open.

A. Bank/ Credit Union Personal BankingAccounts - These are the accounts you need for day-to-day transactions and for saving or getting cheques that you can use to pay people or bills instead of cash or credit card. You need an account to get a debit card. You can get your pay from your job automatically deposited in this account. If you get paid by cheque or receive a large amount of cash you can deposit it at your bank or credit union or can take it there to cash the cheque. Your savings are protected by the government in case of financial institution failure.

1. **Savings**: account for saving/storing money because the bank pays some **interest** (*a fee, based on a percentage, paid for borrowing someone else's money*)
 - Interest rates vary between banks, or even between different types of savings accounts within a bank, however is usually higher than chequing accounts.
 - Recommended if you do not intend to have a lot of transactions, or do not need the money right away. Can have high **service charges** for withdrawals.
 - Good for your budgeted monthly savings.
 - You can access this account in person, at an ATM, or online.
2. **Chequing**: *ideal for day-to-day spending activities, including debit card purchases, bill payments, pre-authorized monthly payments, and ATM use.*
 - They have lower interest rates than savings accounts, but also lower **service charges** (*cost charged by financial institutions for providing services*)
 - Allows for a greater number of transactions than savings accounts.
 - Access this account in person, at an ATM, or online, as well as write cheques.
3. **Combination Account**: *savings and day to day needs. It is part savings and part chequing so you do not have to have multiple bank accounts.*
 - Most accounts only earn interest if the amount of money in account is over a certain amount (for example if you have a constant balance of at least \$500 you'd earn interest on the amount over \$500 only)
 - Has features of savings and of chequing accounts: bank in person or at an ATM; debit card purchases, bill payments, pre-authorized monthly payments, cheque writing.

If you need to make frequent transactions, look for an account with **low service fees** per transaction. If you want to save the money, look for a **good interest rate**. Ask your bank or credit about their accounts and compare your options. Most banks also offer special discounts for youth, seniors and students. Some banks have special accounts for newcomers

Bank / Credit Union Accounts

So why should you keep your money in a bank account? There are plenty of good reasons:

- security
- bank accounts hold your money for you and help you to increase your savings by paying interest.
- A bank account also enables you to pay your bills online, by cheque, or at the bank itself.

Types of Bank and Credit Union Accounts

Banks and Credit Unions offer many types of accounts. Here are some of the most common accounts. Each account type can provide monthly statements.

Account type	features
chequing	<ul style="list-style-type: none"> • Designed for transactions • is best for day-to-day banking, including debit card purchases, cheque writing, pre-authorized payments, bill payments, and ATM use with low service charges • usually lower interest rates and lower transaction fees • allow you to write cheques which is useful for making payments • has cancelled cheques and cheque register booklets
savings	<ul style="list-style-type: none"> • help you save money! • You can withdraw when you want but they're really designed to help you to hold on to your money and to earn interest on it • focuses on savings, with few or no account transactions • has high service charges for withdrawal; earns interest
combination account – part savings and part chequing	<ul style="list-style-type: none"> • can do chequing account transactions • can get a certain interest rate
Tax-free savings account (TFSA)	<ul style="list-style-type: none"> • is a savings account where no income tax is paid on earnings • allows investments up to \$5000/yr, but account holder must be 18 or older

1. For daily purchases with a debit card, use a _____

To get cancelled cheques, use a _____.

2. To save money from each paycheque, use a _____.

To save \$400 a month to buy a house in 5 years, use a _____.

3. To have the convenience of cheques but still earn a little interest, use a _____.

Write the letter from column B that matches its description in column A.

Banks and banking services quiz

In pairs, match the items in column A to column B:

Column A	Column B
1. Account for short-term savings needs.	A. Direct deposit
2. Card that allows you to access money electronically.	B. Chequing account
3. Account for low service and transaction fees.	C. Credit union
4. Account that allows you to save money and write cheques.	D. Debit card
5. Account for day-to-day transactions.	E. Not Sufficient Funds (NSF) fee
6. Name of fee charged if you write a cheque and there is not money in your account to cover it.	F. Combined chequing/savings account
7. Type of financial institution that is owned by its customers.	G. Savings account
8. Service that allows employer to deposit your pay into your account.	H. Low-cost account

Example 1

Teghan is a set designer. In a typical month, she makes 16 transactions. She keeps a minimum monthly balance of \$650.

Which chequing account should she choose? Explain.

Account information	Low-fee account	Value account	Unlimited account	Student account
monthly fee	\$ 3.95	\$ 8.95	\$12.95	free
no fee with minimum balance of ...	\$1000	\$2000	\$3000	—
number of transactions included per month	10	25	no limit	no limit
additional transaction fee	\$0.65	\$0.65	—	—

Solution

- A.** What are her typical Value Account costs per month?

Teghan makes _____ transactions a month. This is less than the _____ transactions included in the fee. The only cost is the monthly fee of _____.

- B.** What are her typical Low-Fee Account costs per month?

The monthly fee is \$_____. The account includes 10 transactions. Number of additional transactions:

$$\text{_____} - 10 = \text{_____}$$

$$\text{_____} \text{ transactions} \times \$\text{_____} \text{ per transaction} = \$\text{_____}$$

$$\text{Total cost: } \$\text{_____} + \$\text{_____} = \$\text{_____}$$

- C.** Should she choose the Value or Low-Fee Account? Describe the key features of the suggested account.

- D.** Should Teghan consider the Unlimited Account or the Student Account? Explain.

REFLECTING

Why do you think you should re-evaluate your banking account needs each year?

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Hint

To determine the number of days for interest, count from day to day, or subtract the first date from the second.

Try these questions!

For Questions 1 and 2, use the information in Example 1.

1. Jeremiah averages 20 transactions per month. He keeps a minimum balance of \$3500 in his chequing account.
 - a) Which account would you suggest? Explain.
 - b) Jeremiah withdraws cash from an ATM that is not his own bank's 8 times per month. He pays \$1.50 per transaction. What is the cost per month?
2. Joanne manages an all-terrain vehicle and snowmobile shop. Joanne keeps a balance of at least \$1000. She usually makes 12 debit card transactions, two teller transactions, and four ATM transactions a month.
 - a) How much will the Low-Fee Account cost Joanne?
 - b) How much will the Value Account cost her?
 - c) Joanne chooses the Low-Fee Account. What changes in her banking would make the Value Account a better choice?
3.
 - a) What are some ways to keep records for a bank account?
 - b) Choose one way to keep records in your answer for Part a). What type of account would you choose for it?

B. Investment / Savings Options - You may want to **shop around** for rates and/or try an investment broker who has access to several different investment products.

The Canadian government has set up special savings plans to help your money grow more quickly. These include **RRSPs, TFSAs, and RESPs**. **Tax avoidance** is a financial strategy that everyone should try to do since, although all should pay their fair share, no one should pay more than they are supposed to. To avoid taxes includes making sure that you take advantage of all the products and tools that can help you **minimize your taxes**.

1. **RRSP or Registered Retirement Savings Plan:** is intended for retirement savings. It is a type of savings account where tax is paid only when the money is withdrawn, but while saving, the money in the plan is tax-deductible. You pay tax on your RRSP withdrawals because you made the contributions with pre-tax dollars.

- When you make an RRSP contribution, you get to deduct that amount from your taxable income on your tax return. The investments inside your RRSP grow free of tax while they stay in the plan. Down the road, however, when money is withdrawn directly from the RRSP or from the registered retirement income fund (RRIF) or annuity to which the RRSP has been converted, it will be taxable. TIP: When you get a tax refund because of your RRSP deduction, don't spend it and blow your RRSP efforts! Use it to pay down debt or put it back into savings.
 - Might be a better idea than TFSA for high income earners to save for retirement.
 - Yearly investment limit is determined for you by CRA (Canadian Revenue Agency)
 - You have to close your RRSP at age 71, but no minimum age to open an RRSP.
 - You need earned income to contribute to an RRSP but not to a TFSA

2. **TFSA or Tax Free Savings Account:** is intended for any type of saving goal (including retirement). It is a type of savings account where no income tax is paid on interest earning but the savings are also not tax-deductible. TFSA withdrawals are tax free because you made the contributions with after-tax dollars.

- Only allows investments up to \$5500 per year
- You must be 18 years old and have a SIN (social insurance number) but you don't need earned income to contribute and There is no age when you have to stop contributing or have to cash out the TFSA.
- Might be a better decision for low income earners to save for retirement than RRSP.
- Can do monthly automatic withdrawals into this account to help you save for **short term goal** (ie post-secondary education, trip, car, downpayment on house), or **long term goal** (retirement)
- If you're using for short-term, you can take the money out when you need it but make sure you've got the type of TFSA that doesn't have penalties for taking the money out
- If you're using it to save for retirement, then DON'T SPEND IT before! Leave the money in the TFSA to grow.
- In essence, a TFSA is the mirror image of an RRSP. You contribute after-tax dollars. In other words, you don't get a tax deduction for your contribution. But once the money is in the plan, it not only grows free of tax, but also comes out free of tax. No tax ever
- Ask questions about the fees and the rules with this account. Unfortunately, if your TFSA account includes high fees, these fees can easily wipe out the benefits of any interest return. Shop around. Make sure you understand the rules.

TIP: How saving early in your RRSP (or TFSA) helps: the magic of compound interest

Amy and Amanda may be twins, but they are very different when it comes to saving for retirement. Here's what they did:

Amy:

- Starts saving at age 20
- Puts \$1,000 a year into her RRSP to age 34
- Total she saved: \$15,000

Amanda:

- Starts saving at age 30
- Puts \$1,000 a year into her RRSP to age 64
- Total she saved: \$35,000



If both sisters made 6% yearly on their investments, before costs, what will they have by their 65th birthday?

- Amy: \$141,700
- Amanda: \$118,100

Note that Amanda actually contributed \$20,000 more than Amy, but Amy winds up ahead by more than \$23,000 due to the magic of ****compounding interest****. (*Compound interest means that you earn interest on the original amount you've saved, and then you continue to earn interest on the interest. Over time, the results can be dramatic.*) The best news is that you can earn interest on even small amounts of savings—so you can start the magic of compounding today. When it comes to growing your money, **time is critical** - so start soon.

Clearly, **starting to invest early can really pay off**. If you wait even 10 years to start saving, you would have to save a lot more money, over many more years, to come out ahead. When saving long term in an RRSP or TFSA, the ages 18-35 are crucial investment years. **Save from an early age and try to stay out of consumer debt!**

Use the compound interest calculator in the tools and calculators section to find out how your money will grow over time.

Source: **GetSmarterAboutMoney.ca**

When you're ready to invest in a TFSA or RRSP, **get advice** as to which is better for you (or whether you should open both) at the time, for your plans and your goals.



3. RESP or Registered Education Savings Plan -is an investment vehicle used to save for children's post-secondary education in Canada.

- Anyone (parent, grandparent, family, friend) can open an RESP for a child and make payments into it
- The principal advantages of RESPs are the access to the **Canada Education Savings Grant (CESG)** and a source of **tax-deferred income**.
- Like RRSPs, RESPs offer tax deferral. This means that interest income and investment growth earned within an RESP are not taxed as long as the funds remain in the plan. Withdrawals from an RESP are taxed in the hands of the student, which usually means they pay little or no tax.
- Unlike RRSPs, contributions to an RESP are not tax-deductible nor are they taxable when withdrawn. The main benefit of the RESP is the ability to have all earnings on the investments inside the RESP accumulate tax-free until withdrawn
- With the CESG, (for an eligible beneficiary until the end of the calendar year they turn 17) the government matches 20% on the first \$2,500 contributed annually to an RESP. The maximum total CESG the government will give, up to age 18, is \$7,200 per beneficiary. The grant proceeds are invested along with your contributions, **further enhancing the benefits of tax-deferred and compound investment growth** within your plan.

7. GIC or Guaranteed Investment Certificate: an investment that is **very low risk** because the investment and any interest earned are **guaranteed by the bank**.

- It tends to pay higher rates of interest than bank accounts but lower rates than some other investments
- A GIC can be held in a TFSA.

8. Other Investment/ Savings Possibilities:

- There are other ways to save or invest, including investing in mutual funds (which can also be held in a TFSA) or having an online high interest e-saving account. In both of these accounts, the interest earned is taxable. You can also open an account in another currency, like a US dollar account.
- You can find out much more about different kinds of investments and some things to keep in mind when you're considering an investment at this link:
http://www.osc.gov.on.ca/documents/en/Investors/res_invest-glance_en.pdf

Banks and Credit Unions: Consider types of Service Charges:

Before you decide which type of bank or credit union account to use, think about what you need the account for and how often you plan to access the money. You should know about the **service charges (fees)** that you will be charged.

Some examples of fees:

1. Monthly fee: paid for use of the account.
2. Overdraft protection: pay in case your account goes into a deficit.
3. Money transfer fee
4. Debit fee: some accounts only allow for a certain number of free debit transactions. You are charged for each additional debit transaction.
5. ABM fee: fee charged if you use an ATM that does not belong to your bank.
6. Monthly statement fee: fee for receiving a monthly paper statement.
7. Transaction Fees -accounts often come with a limited number of free transactions. After that, there are fees for using your debit card, making a withdrawal, paying bills, writing cheques.



Before you Open a Bank or Credit Union Account, Ask Some Questions:

- What are the monthly fees?
- What transaction fees are included, and how many?
- What are the different accounts available?
- Does the bank require you to maintain a minimum balance to avoid monthly fees?
- Are there additional fees, on top of the monthly fee?
- Are there special banking plans for students with possibly low or no monthly fees?
- Check out their ATM and branch locations. Are their location and hours convenient for you?
- Look at the fees for the services you will use, including anything special you need - e-transfer, international financial transactions, etc.
- Look at the rules. Is there a minimum balance you must keep in your account?
- How much interest can you earn on your deposits.
- Shop around and check out the fees and options of other financial institutions. Make sure you get the account that fits your needs.

Comparing Fees Activity

The most economical account for one person may not be the best choice for another, depending on things such as the number of transactions they do or if they carry a minimum balance, etc. Go online to the website for a local bank or credit union and search the account types they offer to find the best account for each person given their situation. Try one of the following: RBC, Scotiabank, CIBC, TD Canada Trust, Bank of Montreal, Assiniboine Credit Union, Cambrian Credit Union, Carpathia Credit Union, or your own bank or Credit Union.

Situation 1: Margo is a **19 year-old** university student who keeps a **minimum balance of \$1000** in her account. She averages **18 transactions** per month and is looking for a **savings account** that best suits her needs. Find an account at two different banks or credit unions and what they each have to offer her. You may need to click more than once to get full details. You might also compare more than one savings account per bank/CU to find the best for her situation. The details you find might not exactly fit the categories below.

Bank/CU A: _____

Name of account: _____

Account Details:

Monthly fee: _____

of included transactions/month: _____

Additional transaction fees: _____

Interest rate: _____

Other details:

Bank/CU B: _____

Account Details:

Monthly fee: _____

of included transactions/month: _____

Additional transaction fees: _____

Interest rate: _____

Other details:

Which account of the two do you think Margo should choose and why? Is a savings account the best idea for many transactions per month?

Situation 2: Stu is **23 years old** and has just graduated from college and begun working as a lab technician. He will set up **direct deposit** for his salary. He keeps a **minimum balance of \$4000** in his account. He averages **12 transactions** per month and is looking for a **chequing account** that best suits his needs. Find an account at two different banks or credit unions and what they each have to offer him. You may need to click more than once to get full details (please abbreviate these details!).

Bank/CU A: _____

Name of account: _____

Account Details:

Monthly fee: _____

of included transactions/month: _____

Additional transaction fees: _____

of included debits: _____

Interest rate: _____

Other details:

Bank/CU B: _____

Name of account: _____

Account Details:

Monthly fee: _____

of included transactions/month: _____

Additional transaction fees: _____

of included debits: _____

Interest rate: _____

Other details:

Which account of the two do you think Stu should choose and why?

On the next page is an account statement for Luna. Luna is an 18 year-old university student. Examine Luna's monthly bank statement and fill in the information below:

Type of account: _____

Opening Balance: _____ Closing Balance: _____

Does she write cheques? _____

Deposits:

How much interest has she earned this month? _____

Total Deposits for this month: _____

Withdrawals:

Total ATM withdrawals: _____

Total ATM charges: _____

Total Debit Purchases: _____

Total Cheques: _____

Monthly banking fee: _____

Total Transfers: _____

Total Payments: _____

Other:

Total Withdrawals for this month: _____

Comments:



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Account Statement Chequing/Savings

Date	Transaction	Description	Withdrawals	Deposits	Balance
	Balance Forward				\$ 23.52
	ATM Withdrawal		\$ 20.00		\$ 3.52
	Payroll Deposit	The Hub		\$ 158.68	\$ 162.20
	Monthly Fee		\$ 4.50		\$ 157.70
	Debit Card Purchase	Orbitz Treatz	\$ 17.84		\$ 139.86
	ATM Withdrawal		\$ 60.00		\$ 79.86
	Electronic Funds Transfer	Metro U bursary		\$ 2500.00	\$ 2,579.86
	ATM Withdrawal		\$ 200.00		\$ 2,379.86
	ATM Charge		\$ 1.50		\$ 2,378.36
	Electronic Funds Transfer	MetroRev GST credit		\$ 84.90	\$ 2,463.26
	ATM Withdrawal		\$ 200.00		\$ 2,263.26
	ATM Charge		\$ 1.50		\$ 2,261.76
	ATM Deposit			\$ 301.50	\$ 2,563.26
	Payroll Deposit	The Hub		\$ 158.68	\$ 2,721.94
	ATM Withdrawal		\$ 160.00		\$ 2,561.94
	ATM Charge		\$ 1.50		\$ 2,560.44
	Debit Card Purchase	CityLinx Pass	\$ 28.00		\$ 2,532.44
	Interest			\$ 0.01	\$ 2,532.45

The Forgotten Transaction Register! – Brian Denysuk (credit counsellor) Credit Aid

Now that we have fully adopted electronic transactions and have retired the cheque, have we forgotten about a really important tool?

Most people today; get paid by direct deposit; have given authorization to various organizations to automatically remove money from their bank account for car payments, mortgage payments, life insurance payments; withdraw cash from ATM's multiple times per week and pay for goods and services using their Interac card. *They no longer; "tell their money where to go", it just waves good bye!*

As you can imagine these are a lot of transactions to keep track of. Yes we have access to online banking however if you don't record all these transactions how does one really know how much money is in their bank account and where it is going? Have those postdated bill payment been deducted from the balance I see in my account?

If we reflect back to the cheque world, we were all provided with a "Transaction Register". This was that little book with lots of pages where you recorded the balance of your account, wrote down all the cheques and all the pre-authorized debits as well as any cash you withdrew from your account. Once upon a time, we actually balanced our bank account to this register, another process that seems to have gone by the way side.

The "Transaction Register" is actually still available today, but only if you use cheques. If you don't order cheques, you don't get one of the best little budgeting tools we once had.

When we meet with clients to talk about where they spend their money we often times get this blank look on their face. It is very difficult for them to answer simple questions like how much they spend on food, gas or clothing. They simply keep spending until there are no funds left in their account. They could go online and review the transactions, but they just don't do it.

If a person were to record the incoming and outgoing funds in a "Transaction Register" they would easily be able to review the information. This old process as some people call it was a simplified budgeting process.

In today's world this budget process needs to be extended so that people understand exactly what they are spending money on. But even before you get into real budgeting, I would suggest you go back to using, or start using, the "Transaction Register."

AD-Automatic Deposit		AP-Automatic Payment		ATM-Teller Machine		DC-Debit Card		T-Tax Deduction		TT-Telephone Transfer	
NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT AMOUNT	✓	FEE	DEPOSIT AMOUNT	\$150.00				
	1/13	Payroll Deposit				1500 00	1650	00			
DC	1/14	GAS	45 00				1605	00			
099	1/18	123 Storage	1000 00				605	00			
100	1/20	Electric Bill	85 00				520	00			
ATM	1/20	CASH	60 00				460	00			
	1/27	Payroll Deposit				1500 00	1960	00			
101	2/6	ABC Foods	125 00				1835	00			
102	2/8	Phone Bill	50 00				1785	00			
AP	2/9	Mortgage	920 00				865	00			
PROTECT YOUR ACCOUNT - WHEN WRITING A CHECK, START AT THE FAR LEFT. DO NOT LEAVE SPACE FOR EXTRA NUMBERS TO BE WRITTEN											

Start keeping track of the following:

1. Record all payroll deposits.
 2. Record all cash withdrawals and Interac purchases.
 3. Record your mortgage payments, car payments etc.
 4. Record all other pre-authorized debits and the date they will come out of your accounts.
 5. Record the bills you pay through your on-line banking.
-

This may seem very basic to some, however the majority of people are not doing it and are having trouble figuring out where all their money is going. So please, go ask your financial institution for a transaction register or use an app on your smart phone and start recording today!

Debit Cards – A debit card is a payment card that deducts money directly from a consumer's bank account to pay for a purchase. Debit cards eliminate the need to carry cash or cheques to make purchases. In addition, debit cards offer some of the convenience of credit cards. Unlike credit cards, they do not allow the user to go into debt, except perhaps for small negative balances that might be incurred if the account holder has signed up for **overdraft** coverage. However, debit cards often have daily purchase limits, meaning it may not be possible to make an especially large purchase with a debit card.



A debit card can be used for different purposes.

- You can make deposits or withdrawals, or transfer money between accounts at an ATM.
- You can pay bills at any branch of your bank.
- You can make purchases, pay for services, or withdraw cash at a store, restaurant, or service provider.
- You can withdraw cash at ATMs worldwide. You need to pay additional fees when the ATM is not your own bank's or is in another country.
- You can access your account online or by phone.

Try these:

i) Explain the steps when using a debit card to make purchases.

ii) Why is it important to protect your PIN?

iii) To access your bank account online, you need two things:

- your debit card number
- a secure password

Why do you need a secure password for online banking?

Some advantages and disadvantages of using a debit card:

1) Why is a debit card more convenient than writing a cheque for purchases?

2) How can you use your debit card number to keep track of your bank account?

3i) How might using a debit card be better than paying with cash?

4) Can you think of any disadvantages to using a debit card?

Example

Sean is a truck driver. In a typical week, he uses ATMs three times at truck stops. The average charge is \$3.25/transaction.

About how much does Sean pay monthly for ATM use?

**Solution**

- A. How many ATM transactions does Sean make each month?

_____ transactions/wk \times _____ wk/yr = _____ transactions/yr

_____ transactions/yr \div 12 mo/yr = _____ transactions/mo

- B. What does he spend on ATM charges per month?

_____ \times \$3.25 = \$_____

Sean pays \$_____ each month in ATM charges.

- C. How could Sean reduce his ATM expenses?

REFLECTING

Why do you think transaction fees are higher at ATMs that are not with your own bank?

Practice

1. Circle the services connected with a debit card.

withdraw money	buy items on credit	pay bills
transfer funds	borrow money	buy groceries
earn interest	deposit money	check balances
withdraw money when travelling		invest in TFSAs

2. Kit's account has a daily cash withdrawal limit of \$500 on her debit card. Kit is thinking about asking her bank for an increase in her limit to \$1000 per day.

a) What are advantages of increasing the limit?

b) What are disadvantages of increasing the limit?

REFLECTING

Do you think using a debit card is better than using a credit card? Explain.

3. Circle the advantages of using a debit card. Underline the disadvantages.

no interest charges	safer than carrying money
may have fees	accepted by most retailers
easy to carry	another number to remember
can be used 24/7	can be lost or stolen
easily obtained	cannot spend more than you have

REFLECTING

Why might you use cash instead of a debit card for small transactions?

4. Many retailers charge customers a fee for using a debit card for purchases less than \$5.00. Don uses his debit card daily to buy these items at the cafeteria:

- a morning snack for \$2.25
- lunch for \$4.75
- an afternoon drink for \$1.25

The cafeteria charges \$0.35 for each debit transaction.

- a) How much does Don spend in the cafeteria each day?
- b) How much is Don charged to use his debit card each day?
- c) Write the ratio of the charges to the food cost as a percent.

5. Mackenzie is a nurse. She works 12 h shifts, so it is often difficult for her to get to her own bank. Last month,

- Mackenzie used an ATM at the gas bar twice. The fee was \$3.25 per transaction.
- Mackenzie used another financial institution's ATM 3 times. The fee was \$1.50 per transaction.

How much did Mackenzie pay in service fees?

6. What would be the most important advantage of a debit card to you? Why?

Online banking - gives 24/7 access to an account. The access is from anywhere in the world where there is a secure Internet connection.

Example1: How would online banking help in each of these situations?

- A) a seasonal fisherman who is home only on weekends
- B) a businesswoman who travels all over North America

Example 2: Circle the disadvantages of online banking.

24/7 access	unable to deposit or withdraw money
no waiting in line	instant access to accounts
save time	no in-person customer service
identity theft	track account transactions
insecure sites	accessible from anywhere

B. Choose a disadvantage. What are some ways to deal with it?

Example 3 A debit card number is needed for online banking. Debit cards also have a 4- or 5-digit PIN (personal identification number). The PIN is needed to access your account at an ATM or to use the debit card to make purchases. Sydney's bank has given her a debit card. How can she make up a secure PIN that she can remember?

One idea:

Sydney can use the dates of events that have special meaning. Sydney went on a trip with her family on December 23, 2007. How could she use this to make up a PIN?

4 digits: 12 __ or 23 __ or ____ 5 digits: 12 __ or 7 ____

Example 4 List the services you can think of that you can do with online banking.

Online Banking - Practice

1. Circle the ways online banking helps people and businesses. Underline the reasons they may choose not to bank online.

- have difficulty using a computer
- can do banking after business hours
- worried about fraud or computer safety
- enjoy the social part of talking with tellers at the bank
- do not have to stop working to go to the bank
- can see all transactions online

2. Is each statement true or false?

- a)** You need your debit card number and password to bank online. _____
- b)** It is not safe to use the age or birthday of a family member as your PIN. _____
- c)** You cannot pay bills with online banking. _____
- d)** Online banking is available only on weekdays. _____
- e)** Online banking is safest using your own home computer. _____
- f)** Financial institutions use encryption technology to ensure your information is safe when you bank online. _____
- g)** Bills paid on the weekend are not processed until the next working day. _____
- h)** It is important to log out each time you have finished your banking online session. _____

Protecting your personal information online:

1. Online banking or using credit card online: Make sure the website you are using starts with https:// (the **s** stands for "secure").
2. Have a filter on your email to eliminate spam.
3. Keep your phone or other mobile device safe - treat it like a wallet and know where it is at all times. Don't leave it unattended.
4. Always type the website address into your browser. Don't click on a link in an email or open emails that require you to enter personal information. They could be scams.
5. Be careful what information you give on social networking sites - identity thieves trawl sites like Facebook and Twitter for personal details they can use.
6. Disable pop-ups in your browser - people can use pop-ups to install programs on your computer that "spy" on you or record your key strokes. This is how they find out passwords to your bank and other accounts. Most internet browsers let you block pop-ups.
7. Install up to date anti-virus software.
8. Log out of social media and bank websites and email accounts. Don't just close them.
9. Enable security settings on your mobile device. Turn off wifi, Bluetooth, and GPS when not in use.
10. Never use public computers for banking or payments. Your account details will be stored on the computer and you don't want that information to get into the hands of others.
11. Create a good password that is hard to guess. Don't tell anyone your password...ever! Change your password at least every 3 months. Don't use the same password everywhere. Test the security of your password at <http://www.passwordmeter.com/> . Which passwords work best?



SECURE



Managing Money Part 2: Financial Planning and Budgeting

Exploring Financial Planning

For the purposes of this assignment, assume that a 'short-term goal' is one that can be attained within two years.

1. Brainstorm a list all of your short term goals. Make sure you have between 3 and 5 goals.

2. Rank your goals in order of importance, and write them in order in the chart below.

3. Estimate the amount of money that you will need for each goal and write it in the appropriate place in the chart.

<i>Short Term Goal</i>	<i>Amount of Money</i>
1.	
2.	
3.	
4.	
5.	

4. If you only had one year to save up for your goals, how much money would you have to put away each month (ie *add up total amounts and divide by 12*)

5. Is this amount of money realistic with your current lifestyle? (ie *How much do you earn/spend a month? Could you cut down on any of your spending? Can you earn more?*) Why or why not?

Budgets

Goals:

In this part of the unit you will learn the basics of budgeting and discover that budgets are a way to reach your personal goals by:

- keeping financial records
- creating a personal budget
- prioritizing expenses to balance a budget
- analyzing a budget.

Key Terms: You will be able to define and use the following terms:

- Budget
- Conservative budget
- Deficit
- Recurring expenses
- Regular income
- Surplus
- Unexpected expenses
- Variable expenses
- Variable income



Have you ever wanted to purchase something but found the item was too expensive? Perhaps you were looking at a new bike or a phone, but it cost more than you could afford. Maybe there is a course you would like to take, but you don't have the money saved for it.

A budget is your spending plan. Preparing and following a budget will allow you to live within your means, avoid the stress of debts, and give you the freedom to make choices with the money you have. Most importantly, a budget will allow you to plan how to achieve your goals.

A budget helps you keep track of what you spend and earn.

- A budget compares expenses to income. A budget can show a surplus (income is greater than expenses) or deficit (income is less than expenses).
- A budget helps you decide where you can reduce spending.
- A budget helps you plan and achieve a financial goal.

*****If your records show that you are spending more than you earn, you need to create a budget to balance your accounts.*****

Creating a budget usually requires 3 steps:

1. Identify what you earn and how you spend money now
2. Evaluate your current spending and setting financial goals
3. Adjust budget items so that total income equals total expenses

Try these: i) \$10 - \$15 = _____

iii) \$720 + \$45 - \$ 699 = _____

ii) \$57 - \$96 + \$23 = _____

iv) \$1000 - \$2000 - \$100 = _____

fixed expense

a cost that remains the same from month to month

Ex. loan or car payments, mortgage/ rent, internet, tv

- 1 When creating a budget, you need to determine
 - your total expenses
 - your **fixed** and **variable expenses**
 - your total income from all sources

2 Circle the fixed expenses below.

3 Underline the variable expenses below.

4 Check any **recurring expenses** below.

variable expense

a cost that changes from month to month

ex. Food, clothing, Hydro, gas

recurring expenses

-Costs that happen over and over but the amount can vary from month to month

Ex. Hydro, gas, cell phone, water

car payment	clothing	cell phone	eating out
groceries	gas	movies	rent
video games	recreation	gym membership	utilities
insurance	gifts	vacation	car repairs

• Regular Income:

-Predictable income received at equal intervals.

Ex. wages and Salary, interest from investments

• Variable income:

- Income that changes over time and/or is not received on a regular basis.

Ex. tips, commission, piecework and bonuses, shift work that changes greatly from week to week

• Unexpected Expenses:

-Unpredictable expenses that occur from time to time.

Ex. car repairs, broken glasses • dental work

5. Loree is a college student who lives with her parents in Brandon, MB. Her salary is the same every month. Some items from her financial records for the month are shown below. Identify the income and expenses. Identify the income and expenses and write in the correct place in the chart below depending on whether the income is regular or variable; and whether the expenses are fixed, recurring, or variable.

Bike race entry fee: \$75	Clothes: \$125	Car Insurance: \$180
Restaurant dinner: \$35	Sold skateboard: \$65	Cell phone bill: \$65
Groceries: \$75	Paycheque: \$800	Gas for car: \$45
Computer loan repayment: \$65 Food relief donation: \$30 Yard work for parents: \$45		
Birthday gift from parents: \$100.		

Solution:

LOREE'S MONTHLY INCOME AND EXPENSES			
<i>Income</i>		<i>Expenses</i>	
Regular:		Fixed:	
Variable:			
		Recurring:	
		variable:	

Example

Tiffany is a pharmacy technician in Winnipeg. She tracked her expenses and income for a month. She has started a monthly budget. Continue Tiffany's budget.

Solution

- A. Complete Tiffany's monthly budget.

Monthly income			
annual take-home pay is \$29481.12			
$\$29481.12 \div \underline{\hspace{2cm}} \text{ mo/yr} = \$\underline{\hspace{2cm}} / \text{mo}$			
Monthly expenses			
Fixed		Variable	
rent	\$ <u> </u>	gas	\$271.42
<u> </u>	\$219.37	clothing	\$ <u> </u>
insurance	\$114.70	personal care	\$ 54.39
utilities	\$ <u> </u>	<u> </u>	\$ 68.00
cellphone	\$ 62.50	leisure	\$ 75.88
savings	\$220.00	miscellaneous	\$ 67.23
total expenses \$ <u> </u> /mo			
income of \$ <u> </u> - expenses of \$ <u> </u> = <u> </u>			

RECEIPT
Rent \$950

RECEIPT
Car payment \$219.37

RECEIPT
Utilities \$86.45

RECEIPT
Food \$271.42

RECEIPT
Gas \$84.28

RECEIPT
Clothing \$75.98

RECEIPT
Recreation \$68.00

- B. Does Tiffany have a surplus, deficit, or neither? How much is it?

- C. This month Tiffany won \$500 in a charity raffle and must pay a vet bill of \$785.00 for her dog. How does this affect her budget?

Income of \$ - expenses of \$ =

Tiffany has a of \$ this month.

- D. Tiffany wants to save an additional \$50/mo toward an RRSP. How could she adjust her budget to do this?

REFLECTING

What are some other sources of unexpected income or unexpected expenses?

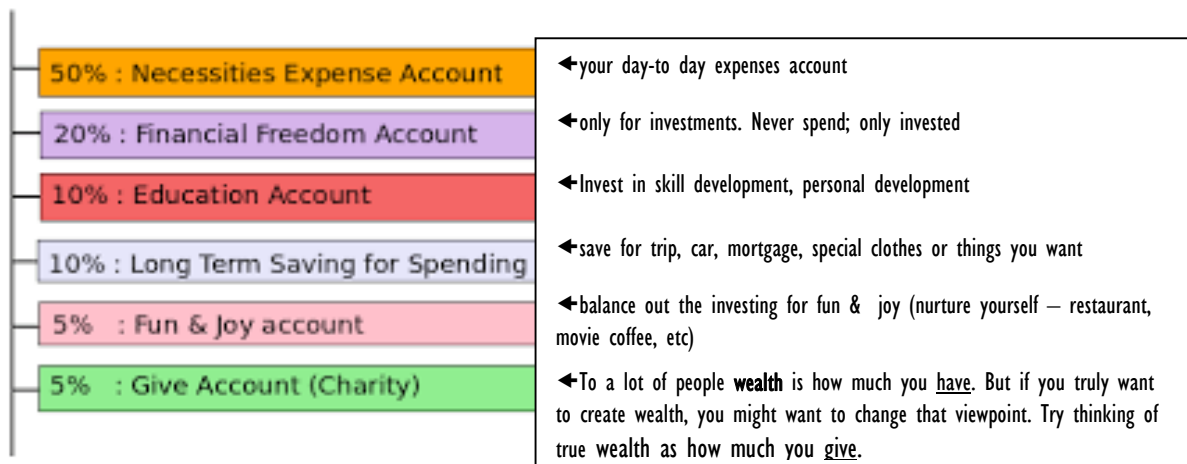
Saving- Pay Yourself First



Most of the people I meet say, “I will start managing my money when I have enough money”. As a planner I tell them “if you aren’t managing your money now then you may not have any money to manage in the future”.

–
Manish Chauhan, financial planner

Worlds Simplest Money Management System



Most people wait and only save what’s left over—*that’s paying yourself last*. Instead, **pay yourself first**: set up saving as part of your budget. Deduct the money from your paycheque for long and short term saving before you do anything else. Try and set aside a certain portion of your income the day you get paid before you spend any discretionary money. You can set up an **automatic deduction** from your bank account on the day your paycheque is deposited, to go into your savings plans.

You may always say that you’ll up your retirement contributions (next pay period, you promise!) or stash a little extra in your emergency fund, but somehow another month passes and you still haven’t done it.

The problem is likely that by the time you’ve paid for everything else—rent, groceries, utilities and maybe even a few dinners out—you often **don’t have enough left** to add to savings ... at least not until your next paycheque. *And so the cycle continues.*

In other words, the goal of paying yourself first is to help make sure your future self’s key financial goals are covered, including building up an **emergency fund**, contributing to **retirement** and saving for any other **long- and short-term goals**, like a down payment on a new home. Bottom line: It’s important to have these bases covered **before** you spend any portion of your paycheque on, say, those super cool shoes.

But the **sooner** you get started, the better off you may be. Not only will you be able to take advantage of **compound growth** to **help grow your money faster**, but you’ll also help ensure that your financial goals are getting funded before life happens. Wait too long, and a major car repair, big bill or reduced hours or layoff *could throw your future goals off track*.

Try these!

1. Financial planners say, save by “paying yourself” 10% of your salary each month. Why do you think they suggest this?
2. Ali wants to save for a trip to Yellowknife. The airfare is \$563.08. Accommodation for eight nights costs \$1080.00. He is planning to have \$300.00 spending money.
 - a) Ali would like to go on the trip in 1 yr. How much does he need to save each month?
 - b) Train fare is less, \$355.00. How much does he need to save each month?
 - c) Should Ali save for this trip or charge it on his credit card? Why?
3. Savanna is taking courses in Calgary.
 - She lives with her parents. Her parents pay her tuition.
 - Her net monthly income as a waitress is \$1203.12.

These charts show Savanna's monthly and annual expenses.

Monthly expenses			
room and board	\$150.00	car payment	\$295.14
cellphone	\$ 54.34	gas and maintenance	\$ 65.00
clothing	\$ 65.00	computer supplies	\$ 20.00
gifts	\$ 65.00	entertainment	\$100.00
eating out	\$ 70.00	magazines and music	\$ 25.00
personal care	\$ 50.00	savings	\$ 50.00

Annual expenses			
books and supplies	\$590.00	car insurance	\$775.00

- a) List Savanna's fixed expenses.
- b) List Savanna's variable expenses.

4. Use the charts for Savanna's expenses in Question 3.

- a) Create a monthly budget for Savanna. List the income, fixed expenses, and variable expenses. Include the monthly cost of annual expenses. Record the surplus or deficit. Circle to show whether the amount is a surplus or deficit.

Monthly income: \$ _____

Total fixed expenses: \$ _____

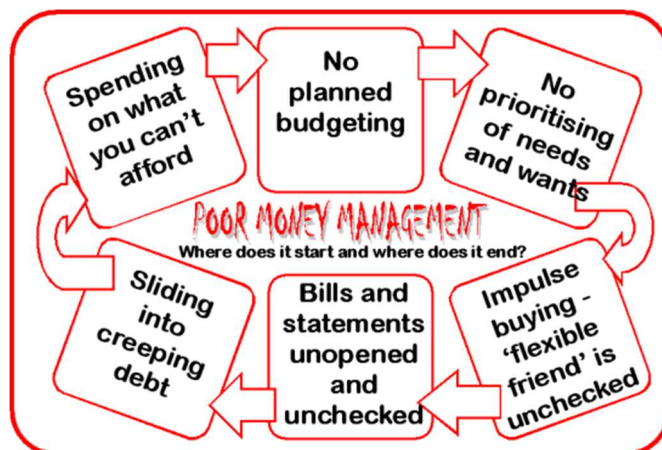
Total variable expenses: \$ _____

Total expenses: \$ _____

Surplus or deficit: \$ _____

- b) In the second year, Savanna will pay her tuition of \$1850. She also has a car repair that she charged on her credit card. The monthly payment for 1 yr is \$79.83. Will her monthly budget be in surplus or deficit?

- c) What budget changes could Savanna make to reduce expenses?



→ Conservative budget: a budget that underestimates *income* and overestimates *expenses*

(It's so easy to blow a budget. Part of the reason for this is **we often underestimate our spending**. One simple way to combat this: err on the side of overestimating. **Round your spending up**, because it's better to spend **less** than you expect **than more**.)

Golden rule for budgeting: budget liberally. Spend conservatively.

→ Surplus: the amount by which incomes **exceeds** expenses (ie you have money left after expenses)

→ Deficit: the amount by which expenses **exceed** income (ie you don't have enough money to pay all your expenses)

Why is it important to learn how to budget your money?

- Put yourself at risk of going into debt if you don't (*can help keep you out of debt or to get out of debt*)
- Teaches you to live within your income (*so that you don't spend money you don't have*)
- Helps you allocate your funds appropriately
- Helps you identify your financial priorities
- Helps you gain a sense of financial independence (*you can stop worrying about debt and bills and take control by making a plan and following your budget*)
- Helps you save and invest to reach your long and short term financial goals (*keep your eye on the prize*)
- Helps you meet financial emergencies
- Can shed light on bad spending habits (*take a close look at how you spend your money - you might be spending money on things you don't need - it can help you to rethink your spending habits*)

What other reasons can you think of?

Two factors affecting your budget:

1. What is important to you?

- Are you a **spender** or a **saver**?
- What do you **usually** spend your money on?

2. What are your financial goals?

- If you can't think of any, make a list of your **life goals**

NOTE: before you can create your budget, you need to keep track of:

- how much money you typically earn each month
- how much money you typically spend each month
- where/how you spend your money

Example: David plays a bass guitar in an alternative rock band. He plays gigs almost every weekend and has already completed one cross-Canada tour. David has been very careful to record his financial transactions and net income over a 6 month period so that he can create an accurate budget to help him plan for his future. He would like to start saving some money on a monthly basis. Below is David's list of income and expenses for the last 6 months. Add up the total income and expenses for each month below each list.



DAVID'S INCOME AND EXPENSES FOR THE LAST 6 MONTHS			
<i>Income</i>	<i>Expenses</i>	<i>Income</i>	<i>Expenses</i>
SEPTEMBER		DECEMBER	
\$600 \$215 \$600 \$175 \$50 \$75	Food: \$200 Rent: \$650 Car: \$150 Entertainment: \$140 Other: \$50	\$600 \$600 \$175	Food: \$140 Rent: \$650 Car: \$140 Entertainment: \$50 Other: \$300
OCTOBER		JANUARY	
\$600 \$115 \$600 \$175 \$150 \$75	Food: \$175 Rent: \$650 Car: \$140 Entertainment: \$200 Other: \$210	\$600 \$124 \$600 \$175 \$315	Food: \$215 Rent: \$650 Car: \$180 Entertainment: \$50 Other: \$215
NOVEMBER		FEBRUARY (On Tour)	
\$600 \$50 \$65 \$600 \$50 \$75	Food: \$215 Rent: \$650 Car: \$400 Entertainment: \$165 Other: \$70	\$600 \$50 \$215 \$600 \$175 \$45	Food: \$50 Rent: \$650 Car: \$0 Entertainment: \$250 Other: \$300

a) Identify David's regular (happens every month) income and calculate the total. List the variable (is different every month) income for each month and calculate the total variable for each month.

Regular income:

variable income:

b) Identify David's fixed expenses and calculate the total per month. List all the monthly amounts for each category of variable expense.

fixed expenses:

variable expenses:

c) Design a **conservative** monthly budget for David for each of the 5 categories of expenses. (For a **conservative budget, overestimate the expenses** - take the most he has spent and then go a little bit above that. **Underestimate the salary** - take the least he has ever earned in a month and go a bit below that.) WRITE IN PENCIL. Allocate any income that exceeds expenses to savings. If the budget exceeds the income go back and see which variable expenses you can cut back on. Perhaps he can shop more frugally for food. Perhaps he can have low entertainment total that can increase at the end of the month if he makes more than month (as long as he's leaving some for savings). For the car perhaps you can look at the general monthly pattern. If you save each month you can use those savings for when the car has a larger expense.

Monthly Budget:

Income: _____

Food _____

budgeted total income minus budgeted total expenses: _____

Rent _____

Car _____

Entertainment _____

Other _____

Total: _____

d) If David follows this budget, forecast the amount that he will have saved after 1 year.
(take the income minus expenses amount and multiply by 12)

Preparing a budget

A monthly budget is divided into sections, based on a person's situation. One example would be to divide it into the following sections:

1. ***Net monthly income*** – includes:

- Primary annual income
- Secondary annual income
- Spousal income
- Other annual income, such as scholarships, tax credits, etc.

NOTE: Income is ***net (after deductions)***, not gross (amount before deductions)! You calculate monthly income by *dividing your net annual income by 12*. You calculate weekly by *dividing net income by 52*, semi-monthly (twice a month) by dividing net income by 24, biweekly (every second week) by *dividing net income by 26*; and semi-annual (twice per year) by *dividing net income by dividing by 26*.

2. ***Monthly savings*** – it is recommended that you set aside at least 10% of your monthly income. You can set up **automated savings** based on this figure. (Remember: pay yourself first!). Put these funds towards emergency savings, your retirement account, and any other savings funds.

3. ***Monthly expenses*** – these can be both fixed and varied monthly expenses, such as bills, groceries, clothing, car maintenance, etc.

4. ***Annual expenses*** – although you pay annual expenses once a year, you should budget for them each month. Again, **divide the annual expense by 12** and set aside this amount in an account so that you'll have the money when the year is up.

5. ***Summary*** – first write your monthly income, and then find the sum of all expenses, savings and contributions, and subtract them from the income.

****NOTE: If your budget is in a deficit (below zero), you need to adjust your spending!*****

Prioritizing purchases:

1. Always pay yourself first – **do not use money budgeted for saving to reduce the deficit**. You have not fixed the problem, and it will take you longer to achieve your short/long term goals.
2. Do not sacrifice living expenses – there are certain important expenses that you need, including rent/mortgage payments, heating and water, groceries, etc.
3. What purchases do you really need? Evaluate your spending habits and decide which purchases are **necessary**, and which are not.

MONTHLY BUDGET FORM

	Weekly Amount	Annual Amount	AVERAGE MONTHLY INCOME
1) NET INCOME			1) \$ _____
Primary Income.....	\$ _____	\$ _____	
Secondary Income.....	\$ _____	\$ _____	
Other Income.....	\$ _____	\$ _____	
Total Annual Income.....		\$ _____	

**MONTHLY
SAVINGS**

2) MONTHLY SAVINGS (10% of Average Monthly Income)	2) \$ _____
--	-------------

3) MONTHLY EXPENSES			
Mortgage or Rent.....	\$ _____		
Car Payments.....	\$ _____		
Telecommunications	\$ _____		
Hydro	\$ _____		
Other Utilities	\$ _____		
Cable	\$ _____		
Groceries	\$ _____		
Clothing.....	\$ _____		
Car Maintenance	\$ _____		
Gasoline.....	\$ _____		
Health and Disability Insurance	\$ _____		
Personal Care.....	\$ _____		
Entertainment	\$ _____		
Other.....	\$ _____		
Other.....	\$ _____		

**TOTAL
MONTHLY
EXPENSES**

TOTAL MONTHLY EXPENSES	3) \$ _____
-------------------------------	-------------

	Annual Amount	Monthly Amount	
4) ANNUAL EXPENSES			
Car Insurance	\$ _____	\$ _____	
Life Insurance	\$ _____	\$ _____	
Property Taxes.....	\$ _____	\$ _____	
Home Insurance	\$ _____	\$ _____	
Vacations	\$ _____	\$ _____	
Newspapers & Periodicals.....	\$ _____	\$ _____	
Other.....	\$ _____	\$ _____	

**TOTAL
MONTHLY
CONTRIBUTIONS**

TOTAL MONTHLY EXPENSES	4) \$ _____
-------------------------------	-------------

5) SUMMARY			
1. AVERAGE MONTHLY INCOME.....			1) \$ _____
2. SAVINGS.....	2) \$ _____		
3. TOTAL MONTHLY EXPENSES.....	3) \$ _____		
4. TOTAL MONTHLY CONTRIBUTIONS	4) \$ _____		
TOTAL AMOUNTS 2 + 3 + 4		\$ _____	
5. AMOUNT AVAILABLE FOR OTHER SAVINGS OR EXPENDITURES (DEFICIT)			5) \$ _____

Note: If the person is in a deficit position, the budget needs to be analyzed for possible adjustments to spending.

Another example would be to divide it into the following sections:

1. ***Total Monthly Income*** – includes:
 - Primary annual income
 - Secondary annual income
 - Spouses
 - Other annual income, such as scholarships, tax credits, etc.
2. ***Total Housing Expenses*** – includes:
 - Mortgage/rent
 - Property taxes (if you own)
 - Insurance (home or tenant)
 - Repairs or maintenance
 - Other housing expenses
3. ***Total Utilities*** – includes: (note that some may be included, if you rent)
 - Hydro
 - Water
 - Phone/TV/internet
 - Other
4. ***Transportation*** – depends on if you drive or take public transportation
 - Bus pass (public transportation)
 - If you drive, includes fuel, insurance, repairs and maintenance, license fees, and may include loan payments
5. ***Personal Finances*** – may include:
 - Loans and/or credit card debts
 - RRSP's or other investments
 - Life insurance or charities
 - Savings - it is recommended that you set aside **10%** of your monthly income. It can be used for emergencies or to invest for the future.
6. ***Personal Expenses*** – this is likely what you spend most of your money on now
 - Groceries or eating out
 - Clothing
 - Entertainment or going out
 - Gifts
 - Vacations

See budget template on next page.

1. Income

- a. Regular Monthly Income \$ _____
- b. Spouses Regular Monthly Income \$ _____
- c. Secondary Income \$ _____
- d. Other Income \$ _____

Total Monthly Income: #1 \$ _____

2. Housing Expenses

- a. Mortgage or Rent \$ _____
- b. Property Tax \$ _____
- c. Home/Tenant Insurance \$ _____
- d. Repairs/Maintenance \$ _____

Total Housing Expenses: #2 \$ _____

3. Utilities

- a. Hydro \$ _____
- b. TV/internet \$ _____
- c. Phone \$ _____
- d. Water \$ _____
- e. Other \$ _____

Total Utilities: #3 \$ _____

4. Transportation

- a. Public Transport \$ _____
- b. Car Loan \$ _____
- c. Car Fuel \$ _____
- d. Car Maintenance \$ _____
- e. Car Insurance \$ _____
- f. Other Transportation \$ _____

Total Transportation: #4 \$ _____

Comments:

5. Personal Finances

- a. Personal Loan \$ _____
- b. Investments \$ _____
- c. RRSP \$ _____
- d. Life Insurance \$ _____
- e. Charities \$ _____
- f. Credit Card Payments \$ _____
- g. Other Personal Finances \$ _____
- h. Savings** \$ _____

Total Personal Finances #5 \$ _____

6. Personal Expenses

- a. Groceries \$ _____
- b. Clothing \$ _____
- c. Entertainment \$ _____
- d. Gifts \$ _____
- e. Vacations \$ _____
- f. Other Personal Expenses \$ _____

Total Personal Expenses: #6 \$ _____

7. Other Expenses

- a. \$ _____
- b. \$ _____

Total Other Expenses #7 \$ _____

Total Monthly Expenses #8 \$ _____

(Sum: #2 thru #7)

Income minus Expenses \$ _____

(#1 minus #8) (+surplus -deficit)

Try these!

- A. Jorge's monthly income is \$2650.00. He usually has a surplus of \$345.00/mo. Can Jorge save 10% of his income each month? Explain.

B. Kari is a medical lab technician. She also has part-time jobs. Place Kari's monthly income and expenses into a budget sheet to determine if Kari's budget is in a surplus or deficit.

NOTE: Assume she puts 10% of her income into savings each month.

remember: **semi-monthly** is twice a month – multiply by 2 for amount per month; **bi-weekly** is every second week – multiply by 26 for amount per year then divide by 12 for monthly; **semi-annual** is twice per year – multiply by 2 for amount per year then divide by 12 for monthly

	A	B	C	D
1	KARI'S MONTHLY BUDGET			
2	Net income 1 (semi-monthly)	\$1173.00	Monthly net income 1	
3	Net income 2 (bi-weekly)	\$264.00	Monthly net income 2	
4	Other (semi-annual)	\$1338.00	Monthly other income	
5			TOTAL MONTHLY INCOME	
6				
7	FIXED EXPENSES		VARIABLE EXPENSES	
8	Rent	\$925.00	Groceries	
9	Car payment	\$216.50	Transportation: gas, maintenance	
10	Insurance (car, house, life)	\$145.17	Clothing and accessories	
11	Telecommunications (phone, TV, Internet)	\$98.50	Health care (dentist, medications, eye care)	
12	Utilities (water, gas, hydro)	\$196.75	Personal care	
13	Education (tuition, books)	\$ –	Household items	
14	Credit card 1	\$ –	Recreation (sports, gym)	
15	Credit card 2	\$ –	Leisure (movies, dining out, concerts, magazines, DVDs)	
16	Loans	\$ –	Vacations	
17			Pet care	\$ –
18			Gifts and donations	
19			Miscellaneous	
20	TOTAL FIXED EXPENSES		TOTAL VARIABLE EXPENSES	
21				
22	TOTAL MONTHLY INCOME			
23	TOTAL MONTHLY EXPENSES			
24	Savings (10% of income)			
25	SURPLUS OR DEFICIT			

According to her budget, Kari has a monthly _____ of \$_____.

Calculate on this paper or use a budget calculator like the following to calculate. You will have to add some categories together to use the calculator. <https://online.royalbank.com/cgi-bin/tools/budget-calculator/calculator.cgi#resultsbox>

Example

Suppose Kari's situation changes as a result of the following:

- She gets a raise of \$285 net, semi-monthly, from her medical lab technician job.
- She decides to quit her second job.
- Her rent increases to \$960/mo.
- Instead of her vacation budget, she budgets \$180/mo for a trip to Paris.
- Her transportation costs increase by \$24/mo.
- She adopts a dog. The pet care expenses are \$74/mo.

How do these changes affect Kari's spreadsheet budget?

	A	B	C	D
1	KARI'S MONTHLY BUDGET			
2	Net income 1 (semi-monthly)	\$1173.00	Monthly net income 1	
3	Net income 2 (bi-weekly)	\$264.00	Monthly net income 2	
4	Other (semi-annual)	\$1338.00	Monthly other income	
5			TOTAL MONTHLY INCOME	
6				
7	FIXED EXPENSES		VARIABLE EXPENSES	
8	Rent	\$925.00	Groceries	
9	Car payment	\$216.50	Transportation: gas, maintenance	
10	Insurance (car, house, life)	\$145.17	Clothing and accessories	
11	Telecommunications (phone, TV, Internet)	\$98.50	Health care (dentist, medications, eye care)	
12	Utilities (water, gas, hydro)	\$196.75	Personal care	
13	Education (tuition, books)	\$ -	Household items	
14	Credit card 1	\$ -	Recreation (sports, gym)	
15	Credit card 2	\$ -	Leisure (movies, dining out, concerts, magazines, DVDs)	
16	Loans	\$ -	Vacations	
17			Pet care	\$ -
18			Gifts and donations	
19			Miscellaneous	
20	TOTAL FIXED EXPENSES		TOTAL VARIABLE EXPENSES	
21				
22	TOTAL MONTHLY INCOME			
23	TOTAL MONTHLY EXPENSES			
24	Savings (10% of income)			
25	SURPLUS OR DEFICIT			

Her total monthly income becomes _____

Her total monthly expenses become _____

According to this changed income and expenses, Kari has a _____ of _____.

Preparing to make a Budget

Make a list of where you get your money, everything you spend your money on, and how much you *save* (if you do). If you have a chequing account, go online and see how you spend your money.

Sources of money (**income**) monthly (include dollar amounts):

What you spend your money on monthly (fixed and variable expenses - include dollar amounts)

How much you save:

Your financial goals (short term - saving up for something; long term - paying for post-secondary education; taking a trip) - include approximate costs

Using your list of the income you receive and the expenses you have each month from page 2 and page 44, **prepare a budget for yourself**. Use the following to organize your income and expenses. Prepare the budget on paper or try the following link to set up a budget for your current needs.

If your income and expenses are equal, you aren't saving anything.

Income		Expenses	

Create a monthly budget for yourself using this template or one of your own or a budget online such as at the following link, <https://www.cicmoney101.org/Calculators/Budget-Worksheets/High-School-Student.aspx>. Using your list from page 44, figure out your categories of spending/expenses. As you did for David on pages 35-36, overestimate your spending in the categories and underestimate your income to come up with a conservative monthly budget for yourself.

Start Here

to begin your journey toward financial success!

GIVING		Budgeted
Charity	\$	_____
Other: _____	\$	_____
GIVING TOTAL:		\$ _____

SAVING		Budgeted
Emergency Fund	\$	_____
College	\$	_____
Car & Repairs	\$	_____
Computer	\$	_____
Other: _____	\$	_____
SAVING TOTAL:		\$ _____

FOOD		Budgeted
Restaurants / Eating Out	\$	_____
School Lunch / Snacks	\$	_____
FOOD TOTAL:		\$ _____

CLOTHING		Budgeted
Clothes	\$	_____
Sports Jerseys / Apparel	\$	_____
CLOTHING TOTAL:		\$ _____

TRANSPORTATION		Budgeted
Gas	\$	_____
Car Insurance	\$	_____
Oil Changes	\$	_____
License & Taxes	\$	_____
TRANSPORTATION TOTAL:		\$ _____

PERSONAL		Budgeted
Cosmetics / Hair Care	\$	_____
Music / Technology	\$	_____
Gifts	\$	_____
Pocket Money	\$	_____
Cell Phone	\$	_____
Other: _____	\$	_____
PERSONAL TOTAL:		\$ _____

RECREATION		Budgeted
Movies	\$	_____
Concerts	\$	_____
Sporting Events	\$	_____
Other: _____	\$	_____
RECREATION TOTAL:		\$ _____

\$ _____
(A) Monthly Income

—

\$ _____
(D) Monthly Outgo

=

\$ _____
(E) ZERO!

(♥ + 🐷 + 🍏 + 👕 + 🚗 + 👤 + 🏃)

Budget Basics

Remember, a budget needs to be flexible, to allow for personal situation changes, such as a job loss, needing to change living arrangements, or an emergency.

Luckily there are many ways to budget, so if the first method you try isn't right for you, try something else.

If you prefer to use cash, the **envelope system** may work well for you. After you identify your spending habits and create your spending categories, label a plain white envelope for each category. Put your budgeted money in the corresponding envelopes and spend from there. Remember to protect your money, keep your envelopes in a safe place and always know who has access to them.



If you bank online, you may have access to **online budgeting tools**. Online banking allows you to manage your account 24/7, noting which purchases have cleared your account and which are still pending. Visit with someone at your bank, or go online to learn about your bank's options.

Online **tools, websites and apps** are also good options. Here are some free options to explore.

- OKMM's Personal Budgeting Tool <http://www.oklahomamoneymatters.org/calculator/Default.aspx>
- Mint.com <https://www.mint.com/canada> (create budgets, track bills, etc.)
- Level Money <https://www.levelmoney.com/> (helps you plan ahead for essentials like rent and bills, and then lets you set a target savings goal)
- Dollarbird <http://dollarbird.co/> (calendar app for finances)
- Mvelopes <https://www.mvelopes.com/> (budgeting app)

Your budget is your spending plan.

- If you realize you're spending too much money, do what you can to cut back.
- If you've slashed expenses and still don't have enough money, increase your income by finding a better paying job, turning a hobby into a job or do odd jobs like baby-sitting or mowing lawns. Sometimes all you need is some marketing and a little creativity to make some extra cash.

6 key tips for post-secondary students and recent grads

Build and use monthly budgets. Establishing your budget should involve tracking all of your day-to-day expenses, as well as your school costs from housing to groceries to transportation to textbooks. From there, it's important to be conservative with how expenses add up in relation to income, and then make adjustments as needed.

Understand credit and credit score. A credit card can be a valuable tool, but it can also be a source of great financial stress if not used appropriately. Do research to find out about fees, limits and interest rates, and how spending and payment behaviour impacts your credit rating.



Recognize some important things to look for in a first-time job, beyond salary. Many employers offer a range of programs and initiatives to help promote a positive work culture, employee engagement and retention, and to support their employees in saving for the future. When applying for or accepting a new position of employment, some key financial aspects to understand are the benefits package and terms, whether the company offers a pension plan and which type it is (a defined benefit plan or a defined contribution plan); if there's an employer-sponsored group RRSP plan, or if they reimburse professional development courses or association memberships that will help you advance in your role and career.

Focus on saving. Incorporating it into your budget is an effective way to generate and grow your savings. A good starting point is to direct three to 10 percent of your paycheque to a savings program. Part and parcel of this should also be understanding the difference between an RRSP and a TFSA and the potential benefits of each.

Develop a process for managing your bills and accounts. Even in a highly digital age when you can arrange for automatic payments and many accounts exist online, it's important to keep track and check these regularly.

Know and make the most of available tax-planning strategies and credits for students. A useful checklist can be found in the Spring 2016 edition of Perspectives.

Source:

<https://www.rbcwealthmanagement.com/ca/en/research-insights/financial-management-among-young-adults-realities-and-strategies/detail/>

The first step in the financial journey is important.

Perhaps the 7 financial pointers below will be of some assistance in helping you get started on a financial path that leaves no regrets.

1. In the teens and early 20s, investing in oneself takes precedence. **Education, training and work experience** build up a person's "human capital" and lead to a higher stream of income over their life span. **"Your job and future career is the most important factor in achieving financial independence and security,"** notes Ken Hawkins, vice-president of research at Toronto-based financial advisory firm Weigh House Investor Service (www.weighhouse.com). Adds Jean Lesperance of the Canadian Financial DIY blog (<http://canadianfinancialdiy.blogspot.com>): **"One of my best financial moves was getting a degree in business that has ... helped me get better jobs and earn more over my career."**

2. Borrowing for post-secondary education, training programs, or starting a business is the **good kind of debt**, for reasons mentioned above. **But it can go awry.** For writer Craig Baird of Stony Plain, Alta., who wrote The Complete Guide to Investing in Index Funds), it was one of his worse financial mistakes: "I got a degree ... which saddled me with a \$40,000 debt I only have now paid off. What made it worse was I never really got a job from that degree, and am in a totally different industry now." **In short, it pays to be frugal and borrow less.** Consult guides to economical living such as The Debt Free Graduate book (www.debtfreegrad.com). While in school, **"pursue scholarships and bursaries,"** recommends Adrian Mastracci, a fee-only portfolio manager at KCM Wealth Management Inc. (www.kcmwealth.com) in Vancouver.

3. Many teens with part-time jobs have plenty of disposable income. **Lacking financial obligations, it's easy for them to fall into habit of spending freely** on trendy jeans, brand-name shirts, cellphones, and other things. **Yet saving is critical to reaching financial goals, so the earlier one gets into the habit, the better.** When Preet Banerjee, an Oakville, Ont.-based financial adviser, flipped burgers at McDonald's as a teenager, his father started him on a pre-authorized contribution plan with a mutual fund. "I put in \$50 every two weeks".

4. Canada's tax system is horribly complex and many people miss opportunities to preserve or augment their finances because they are not familiar with all the details. Don't leave money sitting on the tax table: **time invested in learning about registered plans, tax credits, and so on can yield major dividends.** For example, an 18 year old who files a tax return and opens up a Tax Free Savings Account (TFSA) - even if there is no money to deposit - begins accumulating contribution room every year afterward. **By the time they reach 25, they can put aside as much as \$35,000 to compound tax free.** Other reasons to file tax returns include claiming GST/HST credits and accumulating contribution room in registered retirement savings plans.

5. Credit card companies launch marketing campaigns on campuses each year, offering special low rates and free gifts for filling out application forms. Credit cards with unpaid monthly balances are not a good kind of debt because they finance mainly consumption items - and at rates near 20 per cent. "If I could go back and tell myself at 28 one thing, it would be to fight debt more diligently," remarks Alan Whitton. "Pay off credit cards each month," warns David S. Shymko.

6. Young people are introduced to credit cards, payday loans, and other forms of borrowing before many are fully cognizant of the consequences of missed payments or paying off large debt loads. Use of credit is tracked closely at a central registry and used to compile a credit score that financial institutions consult whenever a person applies for credit; overspending and irresponsibility can thus result in an inability to borrow funds at affordable interest rates in the future. But even if debt is paid off on time, a large amount can take a long time to amortize and may limit or delay the purchase of a house or car. "If someone had sat me down and explained to me why I needed to care about managing my finances at the age of 16, I probably wouldn't be 29 years old and living in my mom's basement," said Adam Goodman.

7. "If I had looked into the fundamentals [of personal finances] 30 years ago ... your mother and I would be very well off today," says David's 58-year-old father in David Chilton's book, *The Wealthy Barber*. It is better to learn about personal finances at an early age. Of note is the magic of compounding and the golden rule to "pay yourself first," which means to have a percentage of one's pay cheque automatically transferred into a savings vehicle. The earlier such advice is taken to heart, the greater the benefit. Therefore, to become more literate about personal finances, seek out mentors - those with experience who are willing to pass on what they know. And read the right books, starting with sources such as: *The Wealthy Barber*, by David Chilton; *The Millionaire Next Door*, by Thomas J. Stanley and William D. Danko; *The Debt Free Graduate*, by Murray Baker; *Following the Goods: Financial Management for the Young and Ambitious*, by Adam Goodman.

Source:

<http://www.theglobeandmail.com/globe-investor/investor-education/ten-money-tips-for-young-people/article4187137/>

**"DO NOT SAVE WHAT IS LEFT AFTER SPENDING,
BUT SPEND WHAT IS LEFT AFTER SAVING."**

WARREN BUFFET

To create a spending plan, one of the first steps is to track your spending.

This week, every time you spend money write down what you spent it on and how much. Write it here, or write it in your phone or on a scrap of paper in your pocket and then transfer to this page. Or download an app like <http://dollarbird.co/> and you can track your spending in your phone.

[illegible]

